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DEPT PASS COMMERCE AND TREASURY

BONN PASS SECRETARY SHULTZ

E.O. 11652: N/A

TAGS: BEXP, UR, US

SUBJ: THIRD SESSION OF JOINT U.S. - USSR
COMMERCIAL COMMISSION

REF: A. MOSCOW 12137 B. MOSCOW 12155

1. SUMMARY: THIRD SESSION OF JOINT US-USSR COMMERCIAL COMMISSION CONCLUDED LATE MORNING OCT 3 WITH SIGNING CEREMONY FOR AGREED MINUTES AND PROTOCOL PROVIDING FOR OCT 3 OPENING US. COMMERCIAL OFFICE IN MOSCOW AND KSSR TRADE REPRESENTATION IN WASHINGTON. IN TWO PLENARY SESSIONS AND FOUR WORKING GROUP MEETINGS DURING TWO AND ONE HALF DAY PERIOD PARTICIPANTS EXAMINED DEVELOPMENTS IN PRINCIPAL AREAS OF US-SOVIET TRADE AND ECONOMIC RELATIONSHIPS. END SUMMARY.

2. INITIAL PLENARY SESSION BEGINNING 1200 OCT 1, CHAIRED BY SOVIET FOREIGN TRADE MINISTER N.S. PATOLICHEV, ESTABLISHED AGENDA: (A) STATUS OF TRADE AND ECONOMIC RELATIONS BETWEEN THE US, AND THE USSR; (B) STATUS OF

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PAGE 02

NC 21514

TOR:041738Z OCT 73

RECIPROCAL BUSINESS FACILITIES IN THE US AND USSR;
(C) PROJECT FINANCING; (D) US-USSR COOPERATION IN
PROJECTS TO DEVELOP NATURAL GAS RESOURCES IN USSR;
(E) US-USSR COOPERATION IN CONSTRUCTION OF PRODUCTION
FACILITIES FOR SUCH MATERIALS AS ALUMINUM, METHANOL,
FERRO-MANGANESE, FERRO-CHROMIUM AND FERRO-SILICON;
(F) REPORT ON STATUS OF JOINT US-SOVIET TRADE AND
ECONOMIC COUNCIL; AND (G) INAUGURATION OF THE US
COMMERCIAL OFFICE IN MOSCOW.

3. WORKING GROUP MEETINGS HELD OCT 1-2 REVIEWED
PROBLEMS AND ACHIEVEMENTS IN AREAS COVERED BY AGENDA
ITEMS (B) THROUGH (E). JOINT US-SOVIET TRADE AND
ECONOMIC COUNCIL CHAIRMAN DONALD M. KENDALL AND USSR
ALL-UNION CHAMBER OF COMMERCE PRESIDENT B.A. BORISOV REPORTED
ON PROGRESS IN ORGANIZING COUNCIL.

4. REGARDING STATUS OF JOINT TRADE AND ECONOMIC
COUNCIL, BORISOV EXPLAINED THAT GROUP WILL BE GOVERNED
BY BOARD OF DIRECTORS INCLUDING 26 REPRESENTATIVES FROM
EACH SIDE. SIX MEMBERS FROM EACH SIDE WILL CONSTITUTE
EXECUTIVE COMMITTEE TO BE CHAIRED BY FORMER ASSISTANT
SECRETARY OF COMMERCE HAROLD SCOTT. PRINCIPAL OFFICE
WILL BE IN NEW YORK WITH BRANCH OFFICE IN MOSCOW. BOTH TO
BE HEADED BY US CITIZENS. PRESENT PLANS CONTEMPLATE
FINANCING COUNCIL THROUGH MEMBERSHIP FEES SUPPLEMENTED
BY INCOME FROM COUNCIL'S SERVICES.

5. BUSINESS FACILITATION WORKING GROUP, RECOGNIZING AND
APPROVING EXTENSIVE INCREASES IN COMMERCIAL AND ECONOMIC
CONTACT, REVIEWED PROBLEMS AMERICAN BUSINESSMEN EXPERIENCE
IN MOSCOW, THEN TOOK UP SOVIET REQUEST FOR ADDITIONAL PERSONNEL
REQUESTED BY SOVIET TRADE OFFICE IN WASHINGTON. AFTER
DISCUSSION OF THIS ISSUE, QUESTION OF CONTINUING EXISTING
WORKING GROUP ON PATENTS AND LICENSES AROSE, CONCLUDING WITH
AGREEMENT THAT LICENSING GROUP BE TERMINATED WITH
UNDERSTANDING THAT NEW GROUP ON SAME SUBJECT MAY BE
CREATED IF NECESSARY.

6. WORKING GROUP ON FINANCE REVIEWED LEVEL AND NATURE OF

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T 578184

PAGE 03

NC 21514

TORI041738Z OCT 73

US CREDITS TO USSR (APPROXIMATELY DOLS 337 MILLION TO DATE, WITH ADDITIONAL POTENTIAL CREDITS FOR CHEMICAL PROJECTS OF PERHAPS DOLS 160 MILLION. IF APPROVED, THE LATTER WOULD BRING TOTAL TO APPROXIMATELY DOLS 500 MILLION) DISCLOSURE OF FINANCIAL INFORMATION BY USSR WAS THEN DISCUSSED, PRODUCING COMMENT THAT ONE YEAR AGO USSR'S TOTAL FOREIGN DEBTS TOTALLED ABOUTN DOLS 1.2 BILLION AND THAT FIGURE IS NOW SOMEWHAT LARGER AS RESULT OF CREDITS RECEIVED FROM US; ON QUESTION OF FINANCING OF NEW INTERNATIONAL TRADE CENTER TO BE BUILT IN MOSCOW IT WAS NOTED THAT A DOLS 36 MILLION EXIMBANK CREDIT MATCHED BY EQUAL SUM FROM CHASE MANHATTAN WOULD BE NEEDED; OTHERWISE SOVIETS WOULD HAVE TO FIND OTHER SOURCES OF FINANCING; CONCERNING DISPARITY BETWEEN US. AND JAPANESE ESTIMATES OF FINANCING COSTS FOR YAKUTIA GAS DEPOSIT EXPLORATION, BOTH SIDES CONCURRED THAT APPARENT DISCREPANCIES WOULD BE CLARIFIED DURING DEPUTY MINISTER OSIPOV'S FORTHCOMING VISIT TO US.

7. WORKING GROUP ON LNG PROJECTS BEGAN WITH SOVIET EXPLANATION OF BOTH MAJOR GAS ENTERPRISES, INCLUDING ALTERNATIVE PIPE LINE ROUTES AND RELATIVE SADANTAGES AND DISADVANTAGES OF EACH. ENSUING DISCUSSION COVERED (1) NEED TO SPEED NEGOTIATIONS, (2) SORT OUT DISPARITIES IN VARIOUS EQUIPMENT COST ESTIMATES, (3) NECESSITY FOR ADDITIONAL INFORMATION BEFORE USG CAN EVALUATE NATURE AND EXTENT OF OFFICIAL SUPPORT REQUIRED, AND (4) ALTERNATIVES FOR OWNERSHIP OF LNG TANKERS. POSSIBLE ADDITIONAL GAS PROJECTS ON CASPIAN, BALTIC AND BLACK SEAS WERE ALSO TOUCHED UPON, AND SOVIETS NOTED THAT THEY HAD BEGUN DISCUSSION ON THESE PROJECTS WITH EXXON.

8. AFTER CUSTOMARY EXCHANGE OF PLEASANTRIES, WORKING GROUP ON POWER-INTENSIVE INDUSTRIAL FACILITIES REVIEWED PROJECTS ALREADY UNDER CONSIDERATION, THEN COVERED NEW PROPOSALS INTRODUCED BY SOVIET SIDE (SPECIFIC ITEMS ARE LISTED IN WORKING GROUP MEMORANDA BEING TRANSMITTED SEPARATELY). SOVIET SIDE NOTED AS OF SEPT 1, 1973, USSR HAD SIGNED CONTRACTS WORTH 450 MILLION RUBLES WITH US. FIRMS, AND ENSUING DISCUSSION REVOLVED ABOUT STATUS OF PENDING PROJECTS IN RELATION TO EXIM GUARANTEES AND OTHER CREDIT SOURCES. SESSION CONCLUDED

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PAGE 04-04

NC 21514

TOR:041738Z OCT 73

WITH OUTLINE OF INFORMATION REQUIREMENTS OF AMERICAN COMPANIES REGARDING PROJECTS PROPOSED BY USSR (PLANT LOCATION AND INPUTS, CAPACITY, CHEMICAL COMPOSITION OF MINERAL, TRANSPORT OPTIONS, BILL OF EQUIPMENT REQUIRED, EARLIEST DATE US. PARTIES COULD MAKE SITE VISITS, NATURE OF FINAL PRODUCT TO BE SHARED--I.E. DEGREE OF FINISH).

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PAGE 01

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9. SECOND AND FINAL PLENARY SESSION BEGAN WITH BRIEF
STATEMENT BY PATOLICHEV BEFORE ORAL PRESENTATION OF
WORKING GROUP REPORTS. MANZHULO DISCUSSED
BUSINESS FACILITATION,
ALKHIMOV FINANCING, OSIPOV LNG PROJECTS AND KOMAROV OTHER
INDUSTRIAL PROJECTS. AMERICAN SIDE COMMENTED AFTER EACH
PRESENTATION. BENNETT REGARDING FINANCING, LNG, AND
OTHER INDUSTRIAL PROJECTS, AND LAZARUS ON BUSINESS
FACILITATION. UP-BEAT NATURE OF SUMMARIES INCLUDED
EMPHASIS (1) ON CONTINUING PRESS FOR DECISIONS ON LNG
PROJECTS THROUGH STANDING WORKING GROUPS, (2) READINESS
ON SOVIET SIDE TO REACH UNDERSTANDING ON CREDIT
QUESTIONS TOGETHER WITH READINESS TO PROVIDE NEEDED
FINANCIAL INFORMATION AND REQUEST FOR ADDITIONAL DATA
FROM US. SIDE (NECESSITY TO CONTINUE SEEK COMPLETE
MUTUAL CONFIDENCE HEAVILY STRESSED IN ALKHIMOV
PRESENTATION), (3) SPEEDING UP ACCREDITATION PROCESS FOR
U.S. FIRMS AND ACHIEVING EQUITABLE SOLUTIONS TO BUSINESS
FACILITATION PROBLEMS, (4) JOINT EFFORT TO EXAMINE
FEASIBILITY AND PUBLICIZE INTEREST OF BOTH SIDES IN
JOINT INDUSTRIAL DEVELOPMENT OPPORTUNITIES, ESPECIALLY
IN ALUMINUM, FERRO-CHROME, FERRO-MANGANESE AND SIMILAR
PROCESSING FACILITIES REQUIRING HEAVY ENERGY INPUTS.

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PAGE 02-02 *cl*NC 21509 *16*

TOR:041735Z OCT 73

10. FINAL PLENARY CONCLUDED WITH TEN-MINUTE PATOLICHEV WRAP-UP UNDERLINING IMPORTANCE OF MAINTAINING FORWARD MOMENTUM IN DEVELOPMENT OF US-USSR TRADE RELATIONS, FOLLOWED BY SIGNATURE OF PROTOCOL ON US. COMMERCIAL OFFICE AND SOVIET TRADE REPRESENTATION, AGREED MINUTES OF JOINT COMMISSION SESSION, JOINT COMMUNIQUE, LETTERS EXTENDING TERM OF KAMA PURCHASING COMMISSION AND SIZE OF COMMERCIAL REPRESENTATION. ORIGINAL DOCUMENTS ARE WITH SHULTZ/DENT PARTY. COPY OF RUSSIAN LANGUAGE TEXT OF AGREED MINUTES WILL BE POUCHED OCT8. COPIES OF EMBASSY MINUTES OF BOTH PLENARY SESSIONS AND FOUR WORKING GROUP SESSIONS BEING POUCHED SEPARATELY TO BENNETT (TREASURY), LAZARUS (COMMERCE), AND EURSOV.

11. AFTER PLENARY OCT 3 SECRETARIES SHULTZ AND DENT, UNDER SECRETARY CASEY, MINISTER PATOLICHEV, DEP. MINISTERS ALKHIMOV, KOMAROV, MANZHULO, OSIPOV AND SMEL'YAKOV AND OTHER PARTICIPANTS IN JOINT COMMISSION MEETINGS TRAVELED VIA MOTORCADE TO NEW U.S. COMMERCIAL OFFICE, WHERE SEC. DENT DEDICATED OFFICE, CUT RIBBON IN SYMBOLIC REMOVAL OF ONE MORE BARRIER TO EXPANSION OF US-SOVIET TRADE, AND THUS CONCLUDED JOINT COMMISSION AGENDA. DUBS

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